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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam

(Weekly)

USAID review completed

State Dept. review completed

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145

15 May 1967

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(8 May - 14 May 1967)

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ANNEX: Weekly Retail Prices in Saigon (table)
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I. POLITICAL SITUATION

On 12 May, Premier Ky announced to newsmen that he is a candidate for the presidency. He did so, however, without the formal endorsement of the military establishment and without coming to a private agreement with Chief of State Thieu. Thieu's intentions concerning the presidency are no more clear at this stage than they have been in the past. In any event, Thieu can still exercise considerable influence over Ky's prospects. It is even possible that Thieu himself will become a candidate before the 5 July deadline for filing applications.

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[REDACTED] In the Constituent Assembly, debate on the presidential electoral laws has been completed. Only a review and final approval of the whole package of regulations remains before the laws take effect.

Premier Ky Enters Presidential Contest

1. On 12 May, Premier Ky announced to newsmen in the resort center of Dalat his intention to enter the presidential race. Ky stated publicly that he had informed Thieu of his intention to enter the contest in a private conversation last week [REDACTED]

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2. The way to Ky's decision was paved last week when the military establishment officially removed itself from the Ky-Thieu rivalry by announcing it would not designate any particular military officer as its candidate. Ky will now apparently have to run without the official backing of the military, although there is little doubt that he will

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utilize the government facilities headed by his colleagues, such as the information ministry and the security services, to advance his interests.

3. Although it would appear that Ky's announcement is a final declaration, there are still several considerations which could affect his candidacy, the paramount one being the intentions of General Thieu. Thieu is by no means completely out of the running at this stage, but his intentions are no more clear now than they have been during the past few months. Several alternatives are still open to him. Since Ky went on the record as a candidate more or less over Thieu's head in view of the latter's continued vacillation, it is possible that Thieu will also run for the highest office. It is perhaps more likely, however, that Thieu will throw his weight behind a prominent civilian such as Tran Van Huong, possibly even going so far as to take a secondary position such as the vice presidency or prime ministership on a civilian ticket. Finally, Thieu may just reluctantly accept Ky's initiative and return to a high post in the military. In any event, Thieu's maneuvers prior to the 5 July deadline for presidential candidates will probably have a profound effect on Ky's presidential chances.

4. Despite his announcement, Ky apparently has not yet firmed up the rest of his ticket. There is convincing evidence that Ky's own preference as his vice presidential running mate would be former premier Tran Van Huong. Huong, a southerner widely respected in the delta and by Catholics, would provide Ky's slate with some badly needed regional balance. It would further remove Huong as Ky's foremost opponent in the presidential race and, if Ky wins, would place Huong in a position which does not figure prominently in the future power structure. Although communications may be continuing between the two men, Huong apparently is not interested in the vice presidency, and Ky may be unwilling to offer Huong the future premiership, a position which appears to contain some degree of real power. If Huong and Ky are unable to come to terms, Ky will probably tend toward another well-known southerner, possibly his current deputy premier, Nguyen Luu Vien.

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5. Meanwhile, Premier Ky's supporters appear adamant in their stand on the method of electing the future president. The secretary general of the Constituent Assembly, Ngo Thanh Tung, told a US Embassy officer on 9 May that the government favors a single presidential election--rather than a stipulated necessary minimum percentage of the vote or a run-off election--for the simple reason that it prefers the military candidate for president. Tung, an ARVN captain who favors the military candidate, stated flatly that the chances of a civilian such as Tran Van Huong becoming president would be too good if there were a runoff.

6. Tung also discounted fears in some quarters that the new president might win only 10 or 15 percent of the vote. He stated quite frankly that province and district chiefs in outlying areas--where voters have little appreciation of national politics--would use available means to ensure that the vote favors the military candidate, thus providing a respectable mandate.

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Presidential Electoral Regulations Completed

9. On 10 May, the Constituent Assembly completed debate on the draft presidential electoral law. Final action, consisting of a review of the amended law by the assembly and a vote of approval, were scheduled for 12 May. However, there may be some delay before the final approval is given by the assembly. The way has been left open for further debate to take place on the one remaining controversial article, which requires that the winning candidate simply get more votes than any of his competitors. Opponents of this article may be expected to make a last-ditch effort to change it so as to include provisions that the winner must attain a minimum percentage of the total vote and that a run-off election must be held if no candidate achieves the minimum.

10. In the last session of the assembly debate, the electoral law was expanded by 14 articles, the most extensive change in the draft law since it came before the assembly. The new provisions focus on the matter of election fraud and deal mainly with penalties for tampering with the election process, coercing voting officials and electors, malfeasance by officials, and other related irregularities.

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II. REVOLUTIONARY DEVELOPMENT

The prospects for fulfilling the 1967 Revolutionary Development (RD) goals in I Corps are not bright; the provinces most affected by the stepped-up Communist offensive have been Quang Tri and Thua Thien. Some recent Cadre developments and activities are discussed. A recent refugee survey reflects age groups and aspirations of a portion of the refugee population. Plans are under way to resettle approximately 20,000 people from an insecure area near the Demilitarized Zone (DMZ) to more secure areas of I Corps. A reorganization of the Ministry of Social Welfare was recently concluded; the reorganization should bring the activities of this ministry more closely in line with nationwide RD programs.

Results of Increased Enemy Pressure on I Corps RD

1. Enemy activity directed against the Revolutionary Development (RD) teams has been heaviest in I Corps. Sixty-two of the 126 anti-RD incidents in March and 46 of the 90 incidents in April were against teams in this corps area, with Quang Tri and Thua Thien provinces bearing the brunt of the enemy thrust. In these two provinces, pressure primarily from North Vietnamese Army forces already appears to have negated RD success to date, and [] the RD teams throughout I Corps cannot continue to thwart enemy attacks and sustain casualties at the current rate and still be expected to fulfill the 1967 RD objectives.

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2. The major portion of the III Marine Amphibious Force has been committed to the support of pacification and protection of base complexes. This has left insufficient mobile forces to keep the enemy main forces off balance throughout I Corps and to react to the enemy buildup in the area of the Demilitarized Zone.

Conversely, in II and III Corps, US and South Korean forces have primarily engaged the enemy main force units.

3. In the I Corps area, RD, Truong Son, and Static Census Grievance Cadre in the field decreased from 9,400 on 1 February to 8,434 on 1 March. Most of this decrease, however, came through elimination of payroll "ghosts" and misfits, and the actual attrition on the teams during the period was reported at 126. Of these 126, 95 resigned or deserted from Quang Tri and Thua Thien provinces. Between 1 March and 1 April, field strength decreased by only 43, but total attrition was 115 of whom 60 resigned or deserted from Quang Tri and Thua Thien.

4. In order to bolster the RD effort in Quang Tri and Thua Thien, additional cadre advisers have been temporarily assigned to these provinces. Automatic weapons and additional grenades have been requested to bolster the armament of the RD teams, and ARVN units have been issued communications equipment compatible with the radios utilized by the teams.

5. In South Vietnam, and particularly in I Corps, the enemy has striven hard to drive home the point to the people that, when an RD team is present in a hamlet, the hamlet invites an enemy attack. [redacted] an "extra spark" may be necessary in I Corps--a challenge mutually recognized by the RD personnel, the military who are supposed to protect them, the inhabitants of the area, and the local government officials. Current incidents in I Corps have been such that [redacted] it would not be too difficult to find a person or incident which could serve as a symbolic challenge--one that is thoroughly identified and sustained by all the people and free from any partisan taint.

6. Prime Minister Ky has assigned the minister of Revolutionary Development, General Thang, primary responsibility for government activities in I Corps. General Thang has

[REDACTED]

designated his deputy at the ministry, Colonel Hoang Van Lac, as his personal representative and Lac will apparently be responsible for the coordination of civil and military resources and activities in the corps area. Additionally, there have been reports that the government is forming "People's Committees" for the defense of specific areas of I Corps.

Cadre Developments

7. Efforts by Minister of Revolutionary Development (RD) General Thang to use all the 90 members of the current graduating class of the National Institute of Administration (NIA) as either RD team leaders or "inter-team" leaders have apparently been unsuccessful. The class strongly opposed Thang's idea, and carried its case to Premier Ky, claiming that its members had been trained to be local government administrators and were needed to staff provincial and district offices. Ky accepted the student argument and decided that only seven of their group would be assigned to RD work.

8. On 17 April, portions of Hoa An village in Chuong Thien Province were overrun by elements of the Viet Cong Tay Do battalion--the provincial unit of the Communists' Can Tho Province. The enemy force pinned down local defense forces and penetrated the village in squad-sized units. Two Static Census Grievance (SCG) cadre members and the village police chief were seized and interrogated as to the whereabouts, by name, of local Provincial Reconnaissance Unit members. This is one of the first reported incidents in IV Corps in which a provincial main force battalion has conducted an operation of this nature.

9. Increased enemy pressure on the RD area in Chuong Thien Province may be a principal cause for a decline in strength of RD cadre there. During March, 27 RD and SCG cadre members in the province resigned. On 1 April there were nine RD teams with an average strength of only 41, compared to 10 teams averaging 51 each on 1 February. Given a modicum of security, a

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well-led and motivated 41-man RD team could achieve a substantial part--if not all--of its goals, but unless the enemy's provincial battalions and district companies in Chuong Thien and similar provinces can be destroyed, the Communists will continue to threaten the RD effort.

Revolutionary Development Successes

10. In Ba Xuyen Province political, psychological, and material development has taken root in Soc Dong hamlet of Long Phu District through the efforts of an RD team. The hamlet had been under Viet Cong control for six years when the RD team moved in early in February 1967. The number of families in the hamlet has since increased from a handful to 136 as of 23 March, and more residents are still coming in. The RD cadre have provided help in organizing a hamlet council and in setting up committees for hamlet elections, hamlet defense, agriculture improvement, and other needs. In early April, four Viet Cong approached the hamlet and stopped several of its residents to demand payment of "taxes." The people refused to pay and reportedly told the Viet Cong that under no circumstances would they pay any money to them in the future.

11. To take advantage of the growing success of the RD program in Vinh Binh Province, the Ministry of Revolutionary Development has allocated three additional RD teams to the province for use in Cau Ke District. The new allocation is apparently in response to appeals made to the district chief in February by six ethnic Cambodian monks, who wanted the government to secure their four villages which were under Viet Cong control.

12. In adjacent Tieu Can District, much of the success in the RD program has been due to the cooperation of the local Cambodian and Vietnamese residents. The district's population is approximately equally divided between the two ethnic groups, and both groups are participating in various RD programs.

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13. Last month, during an ARVN-Regional Force military operation in Cang Long District, northwest of Tieu Can, four of Tieu Can's five RD teams went into Cang Long to contact the residents and encourage them to move away from Viet Cong control. The RD teams successfully convinced 2,034 persons--400-500 families--to leave their district and move to secure areas in Tieu Can. The migration could not have been accomplished without the RD teams, who supervised and participated in every phase of the movement and resettlement of the people. Approximately 1,040 tons of rice were transported to the new settlement areas and restored to original family owners.

Refugees

14. A total of 22,094 heads of refugee families, representing 113,067 persons, were recently interviewed under the registration program being conducted in refugee centers by the Special Commissariat for Refugees (SCR) in conjunction with the US Mission's Office of Civilian Operations (OCO). These interviews were held in 59 refugee centers located in the four administrative regions of the country.

15. Children under 16 years of age represent at least 48 percent of the refugee population surveyed. The survey indicated that there is a preponderance of males over females in the age group from 1 to 15 years. After age 15, however, females are in the majority in every age group, and women between the ages of 20 and 34--the prime military service age--outnumber men in this age bracket by two to one. This imbalance probably reflects war casualties and/or absences due to service in either armed forces or labor groups.

16. The refugees interviewed overwhelmingly preferred to return to their native homes although, for a variety of reasons, some will not be able to do this and must be resettled elsewhere. More than one third of the 22,000 heads of families--both male and female--indicated that they would like the government to provide them with some kind of training or education. Most of this group

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expressed a preference for a primary education, with sewing and tailoring the second most popular choice. Almost 45 percent of the refugees interviewed represented themselves as farmers and these people apparently prefer to continue this means of livelihood.

17. The removal of an estimated 20,000 persons living in or near the obstacle/barrier strip being constructed near the Demilitarized Zone (DMZ) in Quang Tri Province is to be a GVN project with the SCR responsible for the reception, temporary relief, and resettlement of the people. The SCR has provided an initial 11 million piasters for temporary relief; the estimated total fund required for the project is 25 million piasters.

Administrative Reorganization

18. The Minister of Social Welfare is, according to the US Mission, convinced that the social development of the countryside is a necessary part of the RD program. Consequently, he has decided that the activities of his ministry will be more closely related to the RD effort in the future.

19. In order to effect some meaningful progress, a reorganization to streamline the ministry, define programs, emphasize priority needs, and place more specific responsibilities upon nonpolitical career staff members was recently concluded. The new organization establishes five social services--foreign assistance, public assistance, community action, protection of women and youth, and youth re-education. Moreover, the field organization has been strengthened by the assignment at corps level of a regional social welfare representative who provides a contact point for the regional director of the Office of Civilian Operations (OCO) with reference to social welfare. In addition, the ministry is conducting a series of seminar training programs in the field for its personnel and has opened the seminars to OCO personnel and government provincial officials.

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III. ECONOMIC SITUATION

Retail prices in Saigon rose slightly on 2 May compared with the previous week but are still within the range prevailing since 20 March. Free market currency and gold rates fell again on 2 May for the fifth consecutive week. Rice production in South Vietnam is estimated to have declined by 10 percent in the crop year 1966-67. The area cultivated in rice and the yield per hectare also declined. The GVN is considering a plan to give the military and civil servants a cash "rice bonus", which presumably will take the place of a wage increase.

Prices

1. Retail prices in Saigon rose slightly on 2 May compared with the previous week but are still within the range prevailing since 20 March. Food prices increased by 3 percent as the price of rice rose slightly for the first time in six weeks, reportedly because of buying for the holiday on 1 May. Prices for chicken, vegetables, and fruit also were up. Nonfood prices rose by one percent as prices of charcoal, firewood, and aspirin increased. The prices of all other items remained unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of selected US-financed imports continued to decline for the fourth consecutive week during the week ending 3 May. The prices of fertilizers, chemical products, and cement were again responsible for the overall decline in the USAID index.

Currency and Gold

3. Free market currency and gold rates fell again on 2 May for the fifth consecutive week. The prices of dollars fell by six piasters to 151 piasters per dollar while the price of gold

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dropped by seven piasters to 194 piasters per dollar. The rate for MPC (scrip) reached a new low of 107 piasters per dollar, 11 piasters below the official rate. Importers are said to be short of cash to pay their customs duties on goods already in the port, and since banks are reluctant to extend further credit many importers have been forced to sell other assets, particularly gold. This factor, reported earlier, apparently continued to affect gold and currency rates. (A graph on monthly and weekly currency and gold rates is included in the Annex.)

Rice Production

4. Rice production in South Vietnam is estimated to have declined by 10 percent in the crop year 1966-67. The main harvest ended in February, and, according to data published by the GVN Agricultural Economics and Statistics Service, the output of paddy in 1967 was 4.3 million metric tons compared with 4.8 million metric tons in 1966. Output increased in only four of the 16 provinces in the delta--source of two thirds of total output--and decreased by 33 to 85 percent in the four provinces where last fall's flood damage was the worst.

5. The area cultivated in rice declined for the second consecutive year. The GVN estimated that the cultivated area in 1967 was 2,295,000 hectares, or 134,000 fewer hectares than in 1966 and 267,000 fewer hectares than in 1965. There were a few provinces, however, such as Ba Xuyen, Bac Lieu, and Dinh Tuong, where the cultivated area increased.

6. The yield per hectare also declined slightly in 1967. The yield was estimated at 1.9 metric tons per hectare in 1967 compared with 2.0 metric tons in 1966. In almost all provinces where production increased, the increase apparently was due to a greater cultivated area rather than to higher yields.

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"Rice Bonus" for GVN Employees

7. The GVN is considering a plan to give the military and civil servants a cash "rice bonus," which will enable them to purchase 12 kilograms of rice per month for themselves and each of their dependents. This plan presumably would take the place of a wage increase, which was reportedly under consideration for the groups who have suffered most from inflation. The rice will be sold to the recipients at 11 piasters per kilogram plus transportation and distribution costs. The GVN estimates that the scheme will require 35,000 tons of rice per month, presumably imported US rice, and will undertake to make this amount available for purchase by all those entitled to it. US rice is now being sold to the general public in the retail market at the subsidized price of 16 piasters per kilogram, which is about seven piasters below the actual cost. The bonus plan involves putting a substantial amount of cash into the hands of GVN employees per year, thus adding to inflation, but the government believes that this represents a minimum amount it must get by with because the real income of these employees has declined and their morale is low.

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TABLE

Weekly Retail Prices in Saigon a/

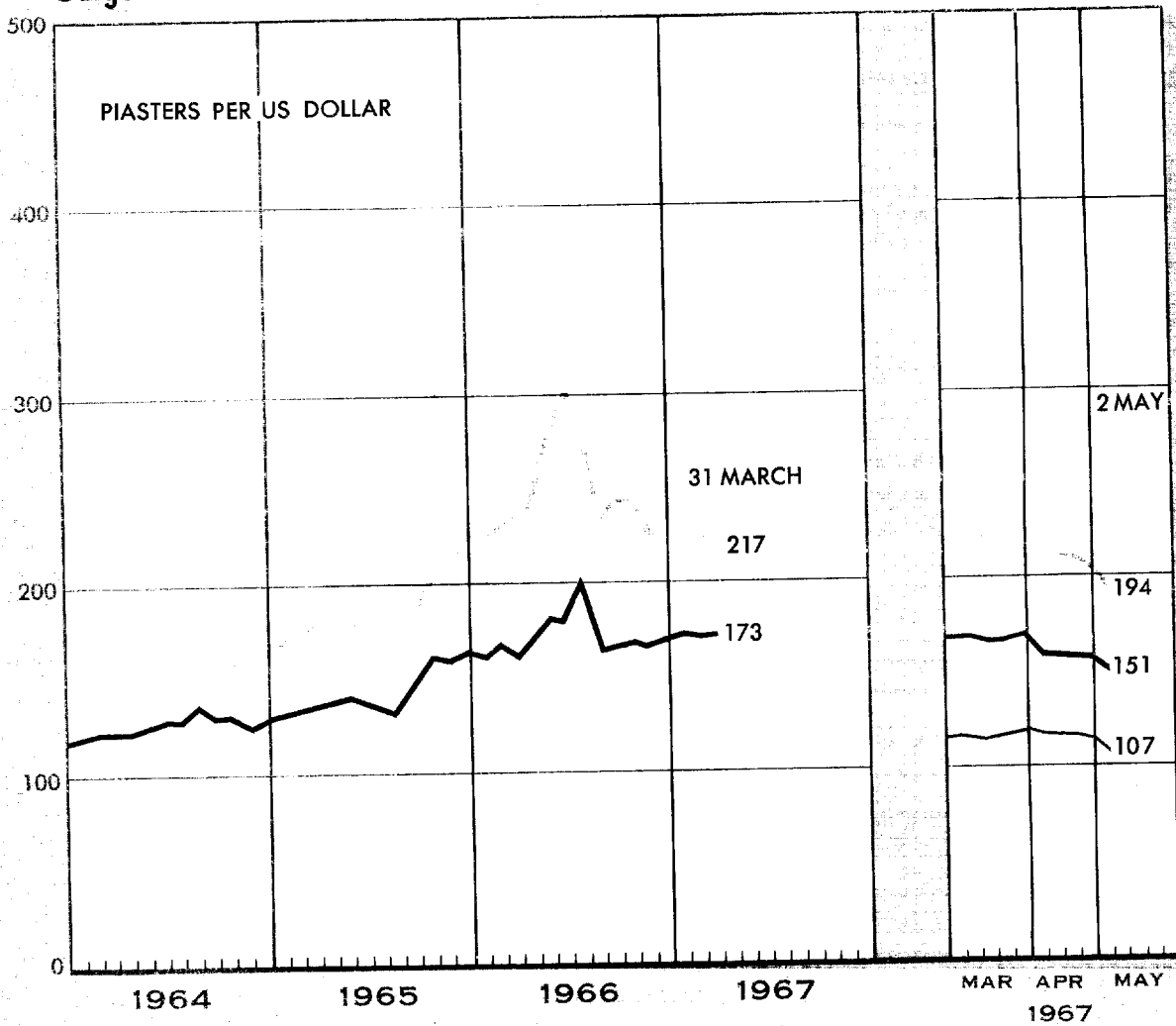
	13 June 1966 b/	16 Aug. 1966 b/	10 Apr. 1967	17 Apr. 1967	24 Apr. 1967	2 May 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>258</u>	<u>252</u>	<u>254</u>	<u>260</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>286</u>	<u>279</u>	<u>282</u>	<u>290</u> c/
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,450	2,700	2,600	2,550	2,600
Pork Bellies (1 kg.)	90	100	150	140	150	150
Fish-Ca Tre (1 kg.)	130	170	150	140	150	150
Nuoc Mam (jar)	70	85	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>190</u>	<u>207</u>	<u>203</u>	<u>202</u>	<u>204</u> c/
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	600	670	650	640	650
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	33	32	31	31
Electricity (kwh)	4.2	N.A.	5.2	5.2	5.2	5.2

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price levels just prior to and two months after the 18 June devaluation.

c. Preliminary.

Saigon Free Market Gold and Currency Prices



- GOLD: Basis gold leaf worth \$35 per troy ounce
- US \$10 GREEN
- US \$10 MPC Military Payment Certificates (scrip).

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